



## **Gaelectric Holdings Plc.**

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Response Paper to:

### **Consultation on the Review of Connection and Grid Access Policy**

**Gaelectric Holdings Plc. Response**

05/02/2016

**Public**

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## 1 GAELECTRIC BACKGROUND

Gaelectric Holdings plc (“Gaelectric”) welcomes the opportunity to respond to the CER consultation Reviewing Connections and Grid Access Policy. As demonstrated by the significant backlog of grid applications (approximately 24,000MW), the current method for processing grid applications is not fit for purpose and we commend the CER for initiating this process. A clear and transparent framework for processing grid applications will be of the utmost importance for ensuring system security, aiding project development and shaping Ireland’s future energy mix.

Gaelectric is an independent wind, energy storage, solar and biomass developer operating within the Republic of Ireland, Northern Ireland, United Kingdom and North America. To date Gaelectric holds approximately 175MW of generating assets across 9 projects in Northern Ireland and the Republic of Ireland, and a further 40MW of ‘shovel ready’ projects with grid connections and full planning approvals in place. Gaelectric’s near term pipeline on the island of Ireland is circa 320MW with the expectation that the company will have 400MW of wind projects generating power by the end of 2017.

Through developing our portfolio of wind assets through early stage planning into construction and operation phases, we have become one of the largest independent developers and operators of wind energy on the island. Gaelectric are further involved in the development of bioenergy and solar projects in Ireland and the UK. Planning applications for 20MW of solar have been lodged in Northern Ireland, and the company has submitted over 20 applications to ESB Networks for solar grid capacity in Ireland.

In addition to our renewable portfolio, Gaelectric are developing Project CAES NI. This project has an agreed connection offer in place with SONI and its planning application has been submitted Planning NI. Project CAES NI is designated as a Project of Common Interest (PCI) by the European Commission and has been recommended for grant funding of up to €6.5million under the Connecting Europe Facility. Gaelectric and Tesla have also announced the purchase and planned deployment of Tesla Energy’s first battery power utility-scale project in Ireland, and we expect to develop a 1 MW demonstration project in 2016.

## 2 CONSULTATION QUESTIONS

***Q1. Do you agree with the policy objective for the Enduring Connection Policy? Are there other matters the CER should consider?***

Gaelectric urge the CER to include and prioritise renewable energy in the policy objectives for the enduring connection policy and reflect this in their considerations for issuing grid offers.

The recently release the Government White Paper on Energy Policy “Ireland’s Transition to a Low Carbon Energy Future” outlines and emphasises the important role of renewable energy in the future decarbonisation of the Irish economy<sup>1</sup>. Gaelectric are strongly of the view that the current Irish 2020 RES-E aims should be the minimum. The current European wide decarbonisation targets to 2030 have been set to 40%<sup>2</sup> with national decarbonisation targets to be decided. Whilst 2030 targets are not yet translated into national policy, this direction of travel needs to be reflected when designing the Enduring Connection Policy. National 2030 policy will require further penetration of low carbon and renewable generation which should be considered when designing the Enduring Connection Policy. The current difficulties faced by the RES-H and RES-T sectors in meeting their portion of our 2020 targets<sup>3</sup> increases in the importance of renewable energy in meeting our European obligations.

Aside from binding European Directives, increases in renewable electricity penetration have been instrumental in attracting economic benefits associated with recent multi-million euro investments in data centres that will be exclusively powered by renewable electricity<sup>45</sup>.

In this context, Gaelectric suggest that due consideration and prioritisation is given to the contribution of renewable energies to national and European targets and the transition to a low carbon economy when considering the policy objectives to design the Enduring Connection Policy.

***Q2. Do you agree with the application of the above underlying principles to the development of Enduring Connection Policy? Are there any other principles that the CER should consider?***

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<sup>1</sup> <http://www.dcenr.gov.ie/energy/SiteCollectionDocuments/Energy-Initiatives/Energy%20White%20Paper%20-%20Dec%202015.pdf>

<sup>2</sup> <http://ec.europa.eu/energy/en/topics/energy-strategy/2030-energy-strategy>

<sup>3</sup> [http://keepontrack.eu/contents/publicationseutrackingroadmap/eu\\_roadmap\\_2015.pdf](http://keepontrack.eu/contents/publicationseutrackingroadmap/eu_roadmap_2015.pdf)

<sup>4</sup> <http://www.rte.ie/news/2016/0125/762675-facebook-meath-centre/>

<sup>5</sup> <http://www.independent.ie/business/commercial-property/amazon-to-take-ireland-spend-past-1bn-with-new-data-centre-34143142.html>

In addition to the underlying principles outlined in the consultation, we would like to make some additional proposals to improve current practice:

- No upper limit on additional modules (such as solar and / or battery) increasing the installed capacity at existing plants (such as wind farms), as long as the combined output does not exceed the existing Maximum Export Capacity at the existing connection, and as long as the combined performance is compliant with grid code requirement. Gaelectric believes that the co-location concept is in line with the requirements of the System Operator to operate an efficient and economic system. By co-locating and utilising the current connections more efficiently, additional sustainable generation capacity can be added to the grid, without the requirement to impose unnecessary upgrades and costs on to the system.
- Reduce administrative uncertainty. There should be definitive period from grid offer application to grid offer issue.
- Set up or strengthen feasible measures to hold ESB Networks to energisation dates.
- Gaelectric also urge the CER to place obligations on ESB Networks for the quicker release of information relating the costs of connection for grid applications. We propose a system similar to GB where applicants can request connection cost estimates from the Distribution Network Operators (“DNOs”) who are required to respond within 20 days. We also note that there is no charge on generators for such analysis<sup>6</sup>. These are not considered to be connection offers and are in no way legally binding - they are simply indicative budget estimates to better inform developers and help streamline the development process.

***Q3. What is your view on the high level processing approach outlined above? Are there other processing approaches the CER should consider?***

Gaelectric agree with the high level processing approach as outlined in the consultation document. A Group Processing Approach is justified given the volume of generators likely to seek connection under the new regime. Group Processing will result in more efficient network development, lower average cost of connections and facilitate the sharing of upgrade costs between multiple generators.

We agree that smaller more frequent rounds of capacity should be allocated to projects which meet qualification criteria. We suggest that annual / bi-annual gates be run for qualifying projects which would balance the requirements for qualifying projects wishing to proceed with the administrative burden of processing the gates.

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<sup>6</sup><http://www.westernpower.co.uk/Connections/New-Connections/Budget-Estimates-and-Feasibility-Studies.aspx>

The expectation that the 2020 RES-E 40% target can be achieved by Gate 3 should be tempered by the risks that remain in achieving this target, the potential for electricity demand growth and the projected shortfall in the RES-H and RES-T targets. Surplus capability within the RES-E sector should be utilised to address any potential shortfall in the overall 2020 energy target (i.e. from RES-T and RES-H).

***Q4. Do respondents agree that the CER should consider the connection of renewables as one of several drivers to be balanced in the development of an enduring connection policy?***

As outlined above, the current 2020 European targets are targets, not limits. The European Commission's 2030 Climate and Energy Goals Policy Framework and 2050 Energy Roadmap also provide an indication of the policy framework direction going forward.

Given the current difficulties facing the Heating and Transport sectors in meeting their respective portions of the European 2020 targets, a higher contribution from renewable electricity is likely to be required to meet our targets. We therefore consider that the connection of renewables should be the primary driver in the development of the Enduring Connections Policy. We urge the CER to consider longer term national and international decarbonisation targets along with the economic benefits of renewable electricity and reflect this in their issuing of grid offers.

***Q5. Should connection policy make explicit provision for interconnectors? If so, what issues should the CER take into consideration?***

Construction of interconnectors forms an important part of the European third energy package and integration of European electricity markets. Many interconnectors are classified as European Projects of Common Interest (PCI's) and therefore benefit from "accelerated permit granting and improved regulatory conditions"<sup>7</sup>. Gaelectric supports the streamlined development of PCIs and welcome their consideration in the enduring grid connection application process.

We are also of the view that interconnectors should result in increased opportunities for export of Irish renewable electricity.

***Q6. Should the technologies and projects currently covered under the non-GPA process be processed under the GPA process when the new connection policy is implemented?***

All technologies and projects currently covered under the non-GPA process should be processed under the GPA process once the new connection policy is implemented, provided they are above a proposed minimum capacity threshold of 1MW and meet the application criteria for the enduring connection

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<sup>7</sup> <https://ec.europa.eu/energy/en/topics/infrastructure/projects-common-interest>

process. It is essential that the non-GPA process continues to operate as it does at present until the GPA process is available for a number of reasons:

- Projects that applied under the non-GPA process, particularly those that applied before the date of the Enduring Connections Policy consultation announcement, would have had a reasonable expectation that applications would be processed under that scheme. Development costs were incurred by companies in the belief that the non-GPA process would apply to their projects, and would have assessed development risk on that basis.
- Projects which have applied apply under the non-GPA process do not have an alternative connection process available and must meet the criteria established in CER/09/099.
- The Non-GPA process is current policy and until the Enduring Process is in place it would create a moratorium to such non-GPA applications if it was prematurely stopped. A previous introduction of a moratorium on renewable connections had a very significant detrimental impact on the industry in Ireland and should be avoided at all costs.
- Grid access is essential to the non-wind renewable technologies seeking to establish a presence in Ireland. Taking away grid access whilst designing the enduring access regime would retard the development of such technologies in Ireland and create significant investment uncertainty. This would be contrary to national energy policy and the purpose of the enduring access regime.
- Non wind renewable and low carbon technologies complement the existing fleet of wind energy in Ireland and make efficient use of energy infrastructure. Such projects should be encouraged rather than disadvantaged by regulatory uncertainty.
- The volume of offers being issued under the non-GPA process is quite modest relative to the scale of contracted wind and will grow relatively slowly in the intervening period given the sequential processing of the applications on a nodal basis.
- There are very significant volumes of contracted wind projects which will continue to be constructed in the coming years. Other technologies do not have such a pipeline of projects and would be disproportionately disadvantaged should the non-GPA process be terminated prior to the GPA process being established.
- Many generators have applied in this process and have a legitimate expectation of receiving a connection offer under this process. This should not be removed until an alternative process is available.
- It appears unlikely that any new renewable projects will receive connection offers through the enduring process and connect in time to connect by the end of 2019 to properly contribute to the 2020 renewable targets. As stated earlier, there is still uncertainty on Ireland's ability to

meet the overall 2020 RES targets and any projects that receive offers through the non-GPA process could be connected in time to contribute towards the 2020 targets.

***Q7. Should some categories of project be processed outside the GPA process when the new connection policy is implemented?***

Gaelectric are of the view that certain projects should remain outside of the proposed Group Processing Approach. We propose a threshold of 1MW, under which all projects should be processed in a non-GPA approach. Such an approach would serve to facilitate small scale projects, including community projects, in receiving their grid connections in a more efficient manner.

***Q8. Do respondents agree that the CER should progress the development of the Enduring Connection Policy in advance of I-SEM go-live?***

Gaelectric are of the view that I-SEM go-live should not have significant impact on the introduction of the enduring grid application process. Therefore we support the aim to have the enduring connection processing in place as soon as possible. At this point Gaelectric would like to remind the CER of the upcoming DS3 and CRM auctions. New projects that receive a DS3/CRM contract must have their connection offer received and connection infrastructure completed before project energisation.

***Q9. Should connection policy facilitate a mix of generation and in particular facilitate providers of system services? Should connection policy focus on certain technology types or rely entirely on market signals?***

The implementation of DS3 will be of the upmost importance in ensuring security of supply as the penetration of intermittent renewables increases. Increasing System Non-Synchronous Penetration (SNSP) will reduce curtailment and further facilitate the penetration of renewables. Eirgrid have aimed to increase SNSP from 50% to 75%<sup>8</sup>. This is an ambitious target and will require significant upgrades to the grid. Co-location of generators and DS3 system service providers such as wind and batteries can both contribute to increasing SNSP while also helping achieve renewable energy targets. These dual benefits should be reflected in the prioritisation of grid offers. Gaelectric propose the following prioritisation of projects:

- I. Co-located Renewable energy and DS3 Technology (e.g. RES and Battery)
- II. DS3 technology
- III. Renewable energy

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<sup>8</sup>



#### IV. Non-Renewable

Furthermore, many of the DS3 system services will also be of use to the system operators for balancing purposes. Balance responsibility will be a feature of the new I-SEM with current proposals suggesting the balancing market will begin an hour before delivery. This will place a premium on projects capable of providing balancing services of the system operators.

***Q10. Should projects which make the most efficient use of the existing network be prioritised over projects driving more deep reinforcements?***

Gaelectric oppose using potential network issues to delay grid connection offers - all parts of the grid should have the same access. A method of overcoming network issues (such as reinforcement needs etc.) should be developed outside of the application process. We would however recommend that the benefits of integrating large scale solar (the vast majority of which will be connected at Distribution level) onto the existing network infrastructure be accurately determined by the System Operators so such benefits can inform the regulatory decision making and the need for additional deep infrastructure is minimised.

***Q11. Should large demand connection which make the most efficient use of the existing network be encouraged through the Enduring Connection Policy?***

Gaelectric have no objection to the granting of connection offers to large demand centres. Large demand connections which make the most efficient use of existing network should be encouraged but should not delay the design of the connection policy for generation connections or frequency of the rounds of offers.

***Q12. Are there any specific issues the CER should take into consideration regarding community based schemes?***

Gaelectric are of the view that no preference should be given to any users seeking access to the grid. Should a non-GPA approach be maintained for small scale projects (at a proposed scale of <1MW), this is a possible outlet for community based projects to be processed outside of the GPA process.

***Q13. Should the CER include planning permission in the criteria for receiving a connection offer?***

The current queue of grid connection applications demonstrates that the current grid application processing approach is not fit for purpose. It is clear from the previous experience that the current fee is not adequate to disincentivise speculative applications, with 24GW of generation applications

seeking connection to a 5-6GW system. As such, a process that prioritises those developments that have a high likelihood of being delivered should be implemented.

Gaelectric support the over-riding principle that those developers who are willing to commit significant development expenditure to a project, and therefore those that have the higher likelihood of being developed, should be prioritised in the Enduring Connections Policy. Whilst the planning system can be used to overcome this problem and prevent future backlogs of this magnitude, the recent O’Grianna case has introduced a new element of uncertainty. The proposed Statutory Instrument on the “Planning And Development (Amendment) Regulations 2016” currently tabled by the Oireachtas led by Minister of State at the Department of the Environment) seeks to legislate for this case. Gaelectric are of the view that this will preclude the use of the receipt of full planning permission as a required criteria for a grid connection application or offer to be made (for generators across all technologies).

In addition, and for solar specifically, such developments are relatively benign and the experience from the UK has been that the majority of solar planning applications have been successful. As such, where a responsible and proficient developer can reasonably be expected to receive planning consent following a robust site selection and feasibility process, it seems unnecessary to include such a criteria in the issuing of grid connection offers. Adding planning consent criteria to the issuance of grid connection offers would impose unnecessary and significant financial risk on developers, who would be forced to finance planning applications when grid connection availability and cost is unknown.

As an alternative to planning consent, Gaelectric propose that grid connections offers are only provided for projects where proof is provided showing ownership of the land, lease of the land, or an option to lease or purchase the land as proof of project commitment. In the UK, under DECC rules with regards to Renewable Obligation grace periods<sup>9</sup>, a Director is required to sign a Certificate providing this warranty, and it is proposed that such a rule could be introduced in Ireland. Gaelectric are also of the view that there could be certain requirements mandated on projects after receipt of their connection offer. Our proposed requirements are:

- Maintenance of the current requirement for applicants to pay 10% of the grid connection cost within 90 business days of grid offer being made available to applicant; and
- A fully validated planning application must be submitted to the relevant planning authority within 180 business days of receipt of the grid offer.

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<sup>9</sup> DECC (2015) Government response to consultation on changes to financial support for solar PV.

Should a developer fail to meet these requirements, the offer should be expire and the capacity be made available to other applicants. A standardised and transparent framework outlining clear expiry timelines and how exactly this capacity will be re-distributed in further auctions should be released by the CER/ESB Networks.

***Q14. Have we identified the correct policy issues? Are there policy issues which we have not accounted for?***

See above regarding importance of renewable energy.

***Q15. Should the GPA process be retained? And should there be more frequent rounds of offer processing?***

Gaelectric agree with the proposal for smaller, more frequent gates, and suggest an annual or bi-annual process. To promote transparency we urge the CER to publish in advance the relevant dates and quantities for each gate.

***Q16. Should the non-GPA approach be revised?***

See above regarding revision of non-GPA threshold to projects below 1MW.

***Q17. Whether these transitional measures should be implemented ahead of the development and implementation of the Enduring Connection Policy?***

Gaelectric support the timely implementation of the transitional measures 1 and 3. Certain considerations in the enduring arrangements may affect how developers act during the transitional period so developers must have sight of how the Enduring Connection Policy is being developed. The detailed design of the Policy must be clear well in advance of the transitional period closure.

***Q18. The timing of such arrangements (30th June 2016 for policy measure (1) and (2));***

Gaelectric support the provision for participants to voluntarily release their capacity in return for refund of payments made (minus processing costs). Notwithstanding this provision, there may still be some hoarding of capacity. Therefore Gaelectric propose that for applicants that do not release their capacity (and get their money back), a further 20% of connection costs must be paid within a pre-defined period.

Gaelectric oppose transitional measure two (allowing existing connections to increase MEC by 10%) as this offers preferential treatment proposed for projects with existing grid connections. This

proposal contradicts one of the key policy objectives of providing a fair opportunity for all generators to receive connection offers.

Gaelectric are of the view that implementation of an Enduring Connection Policy by 30<sup>th</sup> June 2016 is ambitious. We request the CER to release a clear and realistic implementation timeline.

***Q19. The appropriate level of increase in capacity under policy measure (2) to deliver most final customer benefit.***

Gaelectric are of the view that transitional measure 2:

- Breaches one the key policy objectives by offering preferential access of a scarce resource to existing generators;
- Is not an overly efficient use of the existing network. Efficient use of existing infrastructure should be promoted through encouraging access to DS3 projects; and
- Puts pending grid applications at a distinct disadvantage with no quantitative analysis/benefits presented as to why.

For these reasons, Gaelectric oppose the introduction of transitional measure 2.

### 3 CONCLUSION

Gaelectric would like to take this opportunity to thank the CER for allowing industry participants the opportunity to respond to this consultation on the review of grid connection and access policy. The current situation and backlog in grid applications illustrates the necessity for action and we commend the CER in this regard. We look forward to these issues being addressed in the upcoming decision papers and welcome further engagement with the CER. Should there be any queries in relation to the points raised, please do not hesitate to contact us directly.